

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW JERSEY**

Caption in Compliance with D.N.J. LBR 9004-1(b)

McCARTER & ENGLISH, LLP

David J. Adler

Lisa S. Bonsall

Four Gateway Center

100 Mulberry Street

Newark, New Jersey 07102

Telephone: (973) 622-4444

dadler@mccarter.com

Efficiency Counsel to the

Official Committee of Unsecured Creditors

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW JERSEY**

In re:	Case No. 22-19361 (MBK)
BLOCKFI INC., et al. ¹	Judge Michael B. Kaplan
	Chapter 11
Debtors.	Jointly Administered

**SECOND INTERIM APPLICATION FOR ALLOWANCE OF FEES AND
REIMBURSEMENT OF EXPENSES OF McCARTER & ENGLISH, LLP, AS
EFFICIENCY COUNSEL TO THE OFFICIAL COMMITTEE OF
UNSECURED CREDITORS FOR SERVICES RENDERED AND
REIMBURSEMENT OF EXPENSES INCURRED FOR THE PERIOD
OF APRIL 1, 2023 THROUGH AND INCLUDING JULY 31, 2023**

TO: THE HONORABLE MICHAEL B. KAPLAN
UNITED STATES BANKRUPTCY JUDGE

McCarter & English, LLP (“**McCarter & English**”), efficiency counsel to the Official
Committee of Unsecured Creditors (the “**Committee**”), submits this second interim application (the
“**Application**”), pursuant to sections 330(a) and 331 of title 11 of the United States Code, (the

¹ The Debtors in these Chapter 11 Cases, along with the last four digits of each Debtor’s federal tax identification number, are: BlockFi Inc. (0015); BlockFi Trading LLC (2487); BlockFi Lending LLC (5017); BlockFi Wallet LLC (3231); BlockFi Ventures LLC (9937); BlockFi International Ltd. (N/A); BlockFi Investment Products LLC (2422); BlockFi Services, Inc. (5965) and BlockFi Lending II LLC (0154). The location of the Debtors’ service address is 201 Montgomery Street, Suite 263, Jersey City, NJ 07302.

“Bankruptcy Code”), Rule 2016 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), Rules 2016-1 and 2016-3 of the Local Rules of the United States Bankruptcy Court for the District of New Jersey (the “Local Rules”), and the *Administrative Fee Order Establishing Procedures for the Allowance and Payment of Interim Compensation and Reimbursement of Expenses of Professionals Retained by Order of this Court* [Docket No. 307] (the “Interim Compensation Order”) for the allowance of compensation for professional services provided in the amount of \$866,137.00 and reimbursement of actual and necessary expenses in the amount of \$19,309.77 that McCarter & English incurred for the period from April 1, 2023 through and including July 31, 2023 (the “Application Period”) and requests entry of an order substantially in the form attached hereto. In support of the Application, McCarter & English respectfully represents as follows:

1. On November 28, 2022 (the “Petition Date”), each of the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code, thereby commencing the instant cases (the “Chapter 11 Cases”). Since the Petition Date, the Debtors have continued to operate and manage their businesses as debtors-in-possession under sections 1107 and 1108 of the Bankruptcy Code. The Debtors’ Chapter 11 Cases are being jointly administered for procedural purposes only pursuant to Rule 1015(b) of the Bankruptcy Rules. No trustee or examiner has been appointed in the Chapter 11 Cases.

2. On December 21, 2022, the United States Trustee for the District of New Jersey (the “U.S. Trustee”) formed the Committee in these Chapter 11 Cases. *See Notice of Appointment of Official Committee of Unsecured Creditors* [Docket. No. 130].²

² The U.S. Trustee filed an *Amended Notice of Appointment of Official Committee of Unsecured Creditors* on December 22, 2022, to reflect certain non-substantive additions. [Docket. No. 131].

3. On December 29, 2022, the Official Committee of Unsecured Creditors selected Brown Rudnick LLP (“**Brown Rudnick**”) as counsel, Genova Burns LLC (“**Genova Burns**”) as local counsel, and McCarter & English as efficiency counsel, each subject to the Court’s approval.

4. On February 23, 2023, the Court approved the retention and employment of Brown Rudnick as counsel [Docket No. 544] and Genova Burns as local counsel [Docket No. 543], and on March 7, 2023, approved the retention and employment of McCarter & English as efficiency counsel [Docket No. 588], each *nunc pro tunc* to December 29, 2023, a copy of which is attached hereto as **Exhibit A**.

5. On May 17, 2023, the Court entered an Order Appointing an Independent Fee Examiner and Establishing Related Procedures for the Review of fee Applications of Retained Professionals [Docket No. #925] (the “**Fee Examiner Order**”).

6. On June 15, 2023, McCarter & English filed its First Interim Application as Efficiency Counsel to the Committee covering the period December 29, 2022 through March 31, 2023 [Docket No. #1077].

7. This Application is McCarter & English’s second application for allowance of interim compensation for services rendered and for reimbursement of expenses. McCarter & English previously filed four monthly fee statements [Docket Nos. 1349, 1350, 1351 and 1370] (together, the “**Monthly Fee Applications**”) covering the Application Period. The Monthly Fee Applications were also served upon the Debtors, the U.S Trustee, and the other notice parties in accordance with the provisions of the Interim Compensation Order.

**SUMMARY OF SERVICES PERFORMED BY
MCCARTER & ENGLISH DURING THE SECOND INTERIM FEE PERIOD**

8. The services rendered by McCarter & English during these Chapter 11 Cases can be grouped into the categories set forth below. McCarter & English attempted to place the services provided in the category that best relates to such services. However, because certain services may relate to one or more categories, services pertaining to one category may in fact be included in another category. The following provides a narrative description of project categories to which attorneys and paraprofessionals of McCarter & English dedicated significant time during the Application Period:

9. **Case Administration: Fees: \$94,000.00; Total Hours: 114.20.** These fees include all services rendered by McCarter & English relating to general administration of the case and may also include specific matters that are not readily classifiable into other more specific matters. This category includes time expended by McCarter & English monitoring the case docket, reviewing relevant filings, considering issues relevant to case resolution and project management, coordinating internally to optimize workstreams and calendaring of pertinent dates and deadlines established during the course of these cases. This work was necessary to permit McCarter & English to be prepared to provide assistance on certain special projects,

10. **Meetings and Communications with Creditors: Fees: \$30,173.50; Total Hours: 35.70.** These fees include all services rendered by McCarter & English relating to in-person or virtual meetings with the Committee and Committee members. This is a fast-moving bankruptcy case involving complex aspects of bankruptcy law and billions of dollars of customer obligations. Due to the size and complexity of this case, it was (and remains) necessary for McCarter & English to meet and participate in meetings with the Committee on a regular basis to keep the Committee adequately informed on tasks that McCarter & English is working on as

efficiency counsel, as well as to stay informed in connection with developments impacting special projects with which McCarter & English is/was engaged. During the Application Period, McCarter & English and other Committee professionals participated standing weekly meetings with the Committee, as well as additional meetings and communications as circumstances warranted.

11. Employment and Fee Applications: Fees: \$41,962.50; Total Hours: 76.10.

These fees include all services rendered by McCarter & English relating to the preparation of its monthly fee statements for January through June as well as the preparation of the first interim fee application.

12. Committee Investigation: Fees: \$383,577.70; Total Hours 692.30. These fees include all services rendered by McCarter & English in connection with the comprehensive investigation conducted into the Debtors' prepetition activities and events leading up to these Chapter 11 Cases, as well as the various causes of action that may be asserted on behalf of the Debtors' estates. In connection with the investigation, McCarter & English performed a detailed, initial review and analysis of the approximately 30,000 documents produced by the Debtors and other parties. More specifically, McCarter & English, through its vendor, processed and organized all documents produced, then had a team perform a comprehensive, substantive analysis and code the documents accordingly for review by Brown Rudnick. McCarter also performed several related assessments with respect to certain produced documents and their contents. The McCarter & English team also prepared memoranda to summarize the substance of the documents and provided feedback in light of the potentially relevant topics and potential causes of action, where applicable. McCarter & English also provided input in the preparation of outlines of certain individuals who were deposed in connection with the investigation and

attended several key depositions. Finally, McCarter & English assisted Brown Rudnick in the preparation of the comprehensive report titled: *Preliminary Report Addressing Question Posed by the Official Committee of Unsecured Creditors: Why Did BlockFi Fail?* The report detailed the actions taken by the Committee as part of its investigation, presented a timeline and summary of the events leading to the commencement of the Chapter 11 Cases, identified the roles and participation of BlockFi's officers and directors, and included the Committee's preliminary assessment of the Debtors' conduct in connection with its demise.

13. Plan and Disclosure Statement: Fees: \$104,951.50; Total Hours: 122.80.

These fees include all services rendered by McCarter & English assisting Brown Rundick in connection with the Debtors' plan and disclosure statement and eventual settlement incorporated in the *Third Amended Joint Chapter 11 Plan of BlockFi Inc. and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* (the "**Plan**") [Docket No. 1309]. On May 15, 2023, the Committee filed a motion [Docket No. 895] to remedy certain solicitation issues. McCarter & English also participated in portions of the Court ordered mediation (Docket No. 1013). McCarter & English also assisted Brown Rudnick in the preparation of portions of the *Objection of the Official Committee of Unsecured Creditors to Debtors' Second Motion to Extend Exclusivity and Cross-Motion of the Official Committee of Unsecured Creditors for an Order (A) Appointing a Chapter 11 Trustee, (B) Terminating The Debtors' Exclusivity Periods or, Alternatively, (C) Converting these Cases to Chapter 7 Proceedings, and (D) for other Related Relief* (the "**Cross-Motion**") [Docket No. 1131] and the *Official Committee of Unsecured Creditors' Supplemental Objection to the Debtors' Second Motion to Extend Exclusivity Periods* [Docket No. 1188]. McCarter & English also consulted and commented on the Plan and related documentation.

14. **Tax Issues: Fees \$205,650.00; Total Hours. 335.50.** These fees include all services rendered by McCarter & English relating to certain tax related deductions associated with the Debtors' plan and disclosure statement. Tax treatment issues related to cryptocurrency are opaque at best. McCarter & English analyzed and assessed potential tax consequences on certain creditor classes under the Plan and related issues and tax positions to mitigate potential tax consequences, primarily under New Jersey and federal law.

SUPPORTING DOCUMENTATION

15. As noted above, McCarter & English was retained to serve in the capacity of efficiency counsel to the Committee by Order of this Court dated March 7, 2023, which retention was effective as of December 29, 2022.

16. This Application represents McCarter & English's second interim fee application as counsel to the Committee and covers the period from April 1, 2023 through July 31, 2023.

17. Incorporated herein by reference are McCarter & English's computerized time sheets included in the Monthly Fee Statements. These records detail the services rendered by the members and associates of McCarter & English, the hourly rate charged by each member, associate or paralegal, and the actual time expended in the performance of such services. Said time sheets reflect that McCarter & English has expended 1,385.80 hours in performing services for the Committee, resulting in fees of \$866,137.00. The blended hourly rate charged herein is \$625.01 which McCarter & English believes is fair and reasonable in light of the nature of the services rendered and the expertise of the professionals rendering such services.

18. The Monthly Fee Statements also include a detailed breakdown of all out-of-pocket disbursements incurred by McCarter & English in the performance of its duties as counsel to the Committee, which total \$6,108.63. In the normal course of McCarter & English's practice,

expenses are only charged to a client after the expenses are actually incurred by McCarter & English.

19. The following Monthly Fee Statements which comprise the instant Application were filed with the Court and served pursuant to the Interim Compensation Order:

Date Filed and Docket No.	Filing Period	Total Fees (at 100%)	20% Holdback	Fees Requested (at 80%)	Expenses Requested (at 100%)
(Fourth) 6/1/2023 Docket No. 1349	April 1, 2023-- April 30, 2023	\$233,856.50	\$46,771.30	\$187,085.20	\$11,312.27
(Fifth) 6/1/2023 Docket No. 1350	May 1, 2023-- May 31, 2023	\$373,713.50	\$74,742.70	\$298,970.80	\$4,764.32
(Six) 6/1/2023 Docket No. 1351	June 1, 2023-- June 30, 2023	\$224,877.00	\$44,975.40	\$179,901.60	\$2,827.28
(Six) 6/1/2023 Docket No. 1370	July 1, 2023— July 31, 2023	\$33,690.00	\$6,738.00	\$26,952.00	\$405.90
TOTAL		\$866,137.00	\$173,227.40	\$692,909.60	\$19,309.77

20. Annexed hereto and made part hereof as **Exhibit B** is the Certification of David J. Adler with respect to compliance of Local Rules 2016-1 and 2016-3 and the U.S. Trustee Guidelines.

RELIEF REQUESTED

21. In accordance with the factors enumerated in section 330 of the Bankruptcy Code, McCarter & English respectfully submits that the amount of compensation requested in this Application is fair and reasonable given (a) the complexity of the Chapter 11 Cases, (b) the time expended, (c) the nature and extent of the services rendered, (d) the value of such services, and (e) the costs of comparable services other than in a case under the Bankruptcy Code.

22. McCarter & English has reviewed the requirements of Local Rules 2016-1 and 2016-3 and the U.S. Trustee Guidelines and believes this Application substantially complies therewith.

CONCLUSION

WHEREFORE, McCarter & English respectfully requests (a) interim approval and allowance of compensation for professional and paraprofessional services rendered as counsel to the Committee during the Application Period in the amount of \$866,137.00; (b) interim approval and allowance of the amount of actual and necessary out-of-pocket expenses incurred in the course of providing services as counsel to the Committee during the Application Period in the amount of \$19,309.77; (c) approval of payment of the Holdbacks in the amount of \$173,227.40; and (d) entry of an order authorizing and directing that the Debtors, as debtors-in-possession, pay to McCarter & English the amounts allowed, subject to amounts paid on account of the Monthly Fee Statements under the Interim Compensation Order, and (e) granting any and all further relief as may be appropriate.

Respectfully submitted,

McCARTER & ENGLISH, LLP
*Efficiency Counsel for the Official
Committee of Unsecured Creditors*

By: /s/ David J. Adler
DAVID J. ADLER

New York, New York
Dated: September 15, 2023